



DENTAL INSURANCE REFORM

Policy Note

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INTRODUCTION

When it comes to U.S. health policy and healthcare reform, a significant area that has received little attention is that of dental care. Through the Affordable Care Act and subsequent reforms, policymakers have focused on making general healthcare more accessible and affordable, with disparate results¹. Despite that focus on access and affordability, there has been little change or reform in dental care and dental insurance.

Though 80% of the population has access to dental benefits², nearly 35% of American adults didn't visit a dentist in 2019³.

For patients, we know that the most cited reason for not visiting a dentist is cost⁴, owing to either inadequate coverage or lack of traditional dental benefit plans. While children under 18 and seniors over 65 can take advantage of various government plans and subsidies, the majority of American adults receive dental benefits from their employer.

In this policy note, we would like to address the state of dental insurance, which, in our estimation, serves to inflate the cost of dental care and complicate oral health for millions of Americans, and offer policy recommendations to help improve overall dental care.

As such, we promote several reforms that would help lower costs for dental patients, reduce bureaucracy, and increase transparency, competition, and consumer choice.

We favor a consumer-friendly model of dental care that is more direct-to-consumer, more transparent on costs, promotes flexibility, and moves patients away from having to rely on employers for dental coverage.

Here we present our recommendations to lawmakers and regulators in key jurisdictions, hoping to better inform future healthcare and dental care legislation.

1. 2020. J. Winer. Did the Affordable Care Act Contain Costs? Leonard Davis Institute of Health Economics at the University of Pennsylvania. <https://ldi.upenn.edu/sites/default/files/pdf/LDI%20Issue%20Brief%202020%20Vol.%2023%20No.%202.pdf>

2. 2019. National Association of Dental Plans. https://www.whydental.org/about/industry-overview#_ftnref1

3. 2019. CDC, <https://www.cdc.gov/nchs/fastats/dental.htm>

4. 2015. American Dental Association. <https://www.ada.org/en/science-research/health-policy-institute/oral-health-and-well-being>

CURRENT ISSUES

THE MIDDLE MAN

The complexity of dental insurance is a well-established trope among health reformists and patient advocates. Unlike most healthcare plans, dental plans have low caps on the number of benefits they will pay out, anywhere between \$1000-\$1,500 a year⁵. Premiums vary but average \$30-\$50 per month depending on the plan and the number of people covered.

If we recall, the purpose of insurance is to transfer risk to reduce costs while maintaining protection. Consumers pay a monthly premium to contribute to a fund held by an insurance company accessed when needed, especially in emergencies. That balancing of financial risk is how insurers make money, hoping to pay out less than they take in from premiums, while consumers benefit by not having to bear the full cost when unexpected expenses occur.

In the last two decades in the healthcare sector, including dental care, we've witnessed what is known in economics as "transaction decoupling,"⁶ where bundled services obfuscate sunken costs and decrease price sensitivity. Simply put, because we only pay for premiums through employers, we tend to ignore the

real costs of health care.

The broad trend of using insurance to cover all aspects of healthcare, rather than emergencies, is a significant factor in the inflation of the price of care, which economists have dubbed the "social consequences problem"⁷. Encouraging competition to traditional dental insurance, while promoting simple regulations to promote financial transparency, will serve to empower consumers and lower the costs of care.

THE ROLE OF EMPLOYERS

The most common private dental plans are managed through dental Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), dental indemnity plans, or discount dental plans offered as subscriptions.

At present, 93% of privately insured dental patients receive coverage from their employer, mostly through PPOs, meaning employers select a private dental insurer and manage the plan in order to receive a bulk discount⁸.

This means that the majority of patients and consumers do not directly purchase

5. 2019. NADP, *ibid*

6. 2001. D. Soman, JT. Gourville. Transaction Decoupling: How Price Bundling Affects the Decision to Consume. *Journal of marketing research*. <https://journals.sagepub.com/doi/abs/10.1509/jmkr.38.1.30.18828>

7. 2018. MB. Lawrence. The Social Consequences Problem in Health Insurance and How to Solve It. *Harvard Law & Policy Review*. <https://heinonline.org/HOL/LandingPage?handle=hein.journals/harlpolrv13&div=22&id=&page=>

8. 2019. NADP, *ibid*

or control their dental insurance, and thus rely on their employers to make good choices for them. And this does not even take into consideration those who may be between jobs or newly unemployed. Because employer plans are the focus, there is little incentive to innovate direct-to-consumer options and offer competition to incumbents.

When employers contract with dental insurers, the choices are not as diverse as we would assume.

COMPETITION

In California, where we have the best data available, nearly half of all dental insurance is provided by just two companies, Delta Dental and MetLife⁹. Throughout the country, the other two major insurers are Cigna and Anthem, leading to major market concentration and little competition. This reduced competition, sustained by administrative and regulatory burdens, serves to increase costs for patients and reduce payments offered to dentists.

A [2020 quantitative study](#) finds disparities between dental health insurers and dental providers, demonstrating that reimbursement rates have declined significantly for dentists while premiums have gone up, which only benefits insurance companies at the expense of both patients and dentists.

The Competitive Health Insurance Reform Act of 2020, signed by President Trump, levels the playing field between health and dental insurers and all other industries, ensuring consumers are protected from price-fixing by the limited number of insurers. A slew of state reforms have been passed on similar issues, and have thus muddled the federal and state

jurisdictions for regulation.

INNOVATION

Added to this, there are now dozens of new service providers and teledentistry options that are empowering consumers and providing real competition to incumbent insurance companies. Start-ups like [Level](#), [Kleer](#), and [Bento](#) directly connect dentists and patients, and vastly reduce the compliance and insurance costs that plague both. Direct primary care, a membership-based subscription service for healthcare delivery, is another interesting model to follow.

There are also examples of dental savings [plans](#), which pool discounts for patients, and allow flexible choices between dentists.

The static nature of the traditional dental insurance industry, along with the complexity of reimbursement for patients, waiting periods for care, caps that are too low to cover against financially catastrophic events, and relatively low levels of transparency around insurance costs, make dental care and dental insurance ripe for disruption and reform.

THEMES

Competition: the more companies that exist, the better prices and options there will be for consumers.

Transparency: knowing the actual costs that patients will pay

Fairness: a level playing field for competitors in dental insurance and care markets

9. 2018, Journal of the American Dental Association, [https://jada.ada.org/article/S0002-8177\(17\)31067-X/pdf](https://jada.ada.org/article/S0002-8177(17)31067-X/pdf)



RECOMMENDATIONS

DIRECT PRIMARY CARE AND MEMBERSHIP PROGRAMS FOR DENTAL SERVICES

Rather than paying fees to insurance companies for regular dental care, lawmakers and employers should provide incentives for individuals to contract their own membership model plans, which are shown to be both cheaper and more transparent.

Companies such as [Kleer](#) and [quipcare](#) (based only in New York City) offer monthly membership in direct cooperation with dental offices (direct-to-consumer). Rather than contracting a middle-man insurer, dental patients would [directly pay](#) their dentists, saving money and hassle with administration. In this case, a patient would only need high deductible “emergency” dental insurance for larger operations and procedures rather than all general care. Plans run from \$10-\$40 a month and have the benefit of using no

insurance whatsoever.

This model in general healthcare is called “Direct Primary Care,” and is used by millions of patients around the country. There are bipartisan bills in both the U.S. House and Senate that aim to allow individuals to pay for these memberships with Health Savings Accounts, which increases tax savings. Additional incentives and endorsements of direct primary care for dental and medical care at the state level would be immensely beneficial for consumers.

ASSIGNMENT OF BENEFITS LAWS

Already passed in several states, “assignment of benefits” laws would empower patients to choose whether they want insurance companies to directly pay dental clinics, freeing patients from having to pay upfront and negotiate with insurance companies for reimbursement. Giving patients this power would help reduce administration and costs for patients.

MEDICAL LOSS RATIO

Medical loss ratio data is a requirement of health insurance plans per the Affordable Care Act. Applying this same standard to dental insurance plans would require dental insurers to report how much they spend on actual dental care versus administration. In addition, they would need to pay back patients if this level is too high. Adding a requirement for a medical loss ratio for dental insurers would help promote price transparency and provide incentives to reduce administrative waste. This would help reduce costs for patients.

NETWORK LEASING

When patients visit dentists who are not in their insurer's "network," the insurer can lease a separate network the dentists are a member of and forces dentists to accept their prices and policies to claim payment, known as network leasing. Allowing dentists to revise and opt-in to these contracts, if they choose to do so, would help increase price transparency and allow dental clinics to provide accurate prices to patients at the moment of their appointment. Network leasing laws would help improve certainty and price control for patients while empowering their consumer choice.

FINANCIAL TRANSPARENCY

In several states, some provisions help promote financial transparency around dental plans and dental offices. These include laws on prior authorization and retroactive denial. These measures help ensure that insurers cannot retroactively

refuse to pay claims if patients have gotten approval. Such laws would help protect patients from being denied service and care.

RETHINKING INSURANCE

A big cost driver in the U.S. health system is the static role of insurers. Benefits and plans tied to employment reduce the likelihood of newly emerging innovative insurances and care plans.

Policymakers should allow more competition and innovation within the system. Dental insurance should be inverted to a system where insurance plans cover expensive treatments and patients can pay for subscriptions or out-of-pocket for regular (anticipated) dental consultations and prevention, and with more freedom to use pre-tax Health Savings Accounts. This would reduce the price inflation on these services exacerbated by current dental insurance.

Decoupling health and dental insurance from employers would empower consumers to choose the plan that works best for them and their families.

A stronger emphasis on Health Savings Accounts would allow patients to decide how much they want to spend on dental plans with full indemnity, how much out-of-pocket, and thus create competition between traditional dental plans and direct dental care.

Consumers should be more empowered to make their own decisions. The current system does not allow this as it de facto forces a middleman (that in some cases does create value) between patients and dentists.

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Yaël Ossowski is a writer, radio host, and deputy director at the Consumer Choice Center.

Since 2010, he has worked as a journalist and grassroots organizer in Europe and North America. He was previously Watchdog.org's Florida Bureau Chief, chief Spanish translator, and national investigative reporter from 2012-2015. He is a contributor to Metropole Magazine in Vienna and has contributed to The Chicago Tribune, Washington Examiner, Le Journal de Montréal, Les Affaires, Charlotte

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Elizabeth joined the CCC in 2021 after spending the beginning of her career managing non-profit international operations across three continents. She has extensive experience in grassroots organizing, community development, and external relations, and has been featured in outlets such as The Detroit News, The Gazette, FEE, among others.

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